

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Six County Employment Alliance</b>	County <b>Delta</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>10-28-05</b>	Date Accountant Report Submitted to State: <b>12-29-05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Anderson, Tackman, &amp; Co., PLC</b>			
Street Address <b>901 Ludington Street</b>	City <b>Escanaba</b>	State <b>MI</b>	ZIP <b>49829</b>
Accountant Signature <i>Anderson, Tackman &amp; Company P.C.</i>		Date <b>12-29-05</b>	

**SIX COUNTY EMPLOYMENT ALLIANCE**  
**BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2005**

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**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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## **INDEPENDENT AUDITOR'S REPORT**

Six County Employment Alliance  
Escanaba, Michigan

We have audited the accompanying financial statements of the governmental activities and major fund information of the Six County Employment Alliance, Escanaba, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Alliance's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Six County Employment Alliance's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the Six County Employment Alliance, Escanaba, Michigan, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2005, on our consideration of the Six County Employment Alliance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages four through sixteen and page 27 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Six County Employment Alliance's basic financial statements. The report of management and additional information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Six County Employment Alliance. The additional information and the schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The report of management has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Anderson, Tackman & Company P.L.C.*

Certified Public Accountants

October 28, 2005

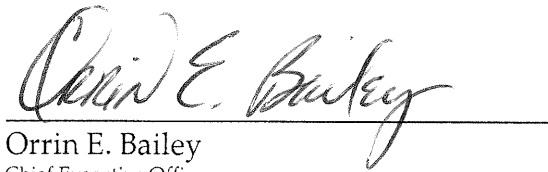
## SIX COUNTY EMPLOYMENT ALLIANCE

### REPORT OF MANAGEMENT

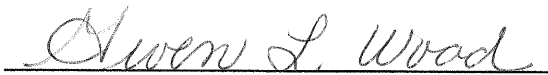
The management of Six County Employment Alliance has prepared, and is responsible for the integrity of, the financial statements and related financial information contained in this Basic Financial Statements. Our financial statements have been prepared in conformity with generally accepted accounting principles, and financial information included elsewhere in this report is consistent with our financial statements.

We maintain a system of internal controls designed to provide reasonable assurance that our assets are safeguarded and that transactions are properly executed and recorded in a manner that is in compliance with all of our governing authorities, including Michigan Department of Labor & Economic Growth, Michigan Department of Treasury, U.S. Department of Labor, U.S. Department of Health and Human Services, Internal Revenue Service, and others, as applicable. The systems are monitored by management. Written policies and procedures have been developed to support the internal control systems in place and are updated as necessary.

The accompanying financial statements have been audited by Anderson, Tackman, & Co., PLC, independent public accountants, whose report precedes this report.



Orrin E. Bailey  
Chief Executive Officer



Gwen L. Wood  
Chief Operating Officer



Michelle T. Viau, CPA, CMA  
Chief Financial Officer

## SIX COUNTY EMPLOYMENT ALLIANCE

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management of the Six County Employment Alliance offers readers of these financial statements a narrative overview of the financial condition and activities for the year ended June 30, 2005. Please read this narrative in conjunction with the review of our financial statements and financial statement notes.

#### OVERVIEW

Six County Employment Alliance is the legal entity that provides the structure for financial and grant management for activities of Michigan Works! The Job Force Board, whose mission is:

*Michigan Works! The Job Force Board believes that a sound economic base is essential to maintain the quality of life in the six county region it serves. The Board fosters economic development and encourages and supports employers to promote full employment for our residents.*

The Job Force Board and its Career Connections Group developed the following strategic goals and has identified the progress in the current year as follows:

**Goal 1:** "35% of employers with 25 to 35 employees or more will indicate that job seekers' academic and employability skills are at or above those desired by the employer."

Key Strategic Activities: Strengthening academic and employability skills curriculum:

- Common definition of "Employability Skills" by business and education.
- Over 2500 brochures, "Why Should I Teach Employability Skills" were distributed to U.P. teachers.
- Developed "Ready for Work" initiative, employability skill training program for entry-level youth and adult workers, endorsed by regional employers.
- Assisted Intermediate School Districts and K-12's in 24 Career Fairs.

**Goal 2:** "A seamless education system providing life-long learning opportunities where each public school and institutions of higher learning will actively participate in at least one career contextual learning curriculum".

Key Strategic Activities: To understand the linkage between academic success, employability skills and success beyond school.

- Developed common definition of Contextual Learning for Business and Education.
- Support opportunities for educators to participate in private industry experience and/or training in entrepreneurial development:
  - “Careers About Town” through NMU and MARESA for 34 teacher/business externships during a teacher summer institute
  - NMU Summer Institute and Michigan Works! trained 35 teachers under CORE FOUR® Entrepreneurial Training
  - Ishpeming, Westwood and Kingsford School Districts encourage teacher externships in private sector settings
  - Michigan Works! Service Centers support job shadowing activities in local schools

**Goal 3:** “Develop a labor market information exchange system that tracks local, current, and future trends & needs; which partners with 80% of the Upper Peninsula’s economic development partners”.

Key Strategic Activities: To support economic development partners in having local labor market information for business attraction, expansion, and retention...growing U.P. businesses.

- Membership Application Database was implemented in May 2001 and through June 30, 2005 has registered 39,729 job seekers. This information documents skill sets of members for business attraction and labor exchange.
  - Provided workforce skill set information that resulted in recruitment of new business, Issues and Answers, to Delta County.
- Partnered with UPEDA in the implementation of “UP Business Barometer.” to track and quantify trends, gaps, issues, needs and opportunities on a community basis.

**Goal 4:** “Recruit and provide an adequate supply of job seekers to at least 90% of employers utilizing the Michigan Works! System”.

Key Strategic Activities: Provide business with an applicant pool with the required Knowledge, Skills, and Abilities.

- Michigan Works! Service Centers aligned to the Mission of the Job Force Board and the Strategic Plan.
- The 39,729 job seekers and incumbent workers registered with the Michigan Works! Service Centers since May 2001 provide business with an increased applicant pool.



- During the same time frame, the Membership Application Database system tracked 12,122 members to employment, matching employer needs with skill sets of applicant pool.

**Goal 5:** “Provide incumbent worker skill enhancement training or human resources technical assistance to avert a downsizing or layoff to 100 employers during Year 1, 50 employers during Year 2, and 75 employers during Year 3”.

Key Strategic Activities: Promote M-TEC, NMU, Bay College and local training vendor services, increase skill level of incumbent workers, and business viability.

- Support M-TEC, NMU, Bay College, Northern Initiatives and Training Vendors through Job Force Board marketing efforts.
- 10,315 incumbent workers have been trained by M-TEC and NMU over the last three years.
- 227 Employers received incumbent worker training activities through NMU, M-TEC and the Job Force Board.
- Michigan Works! Service Center personnel have visited 2,578 businesses during the last year, assisting with human resource and training needs.

## **HIGHLIGHTS**

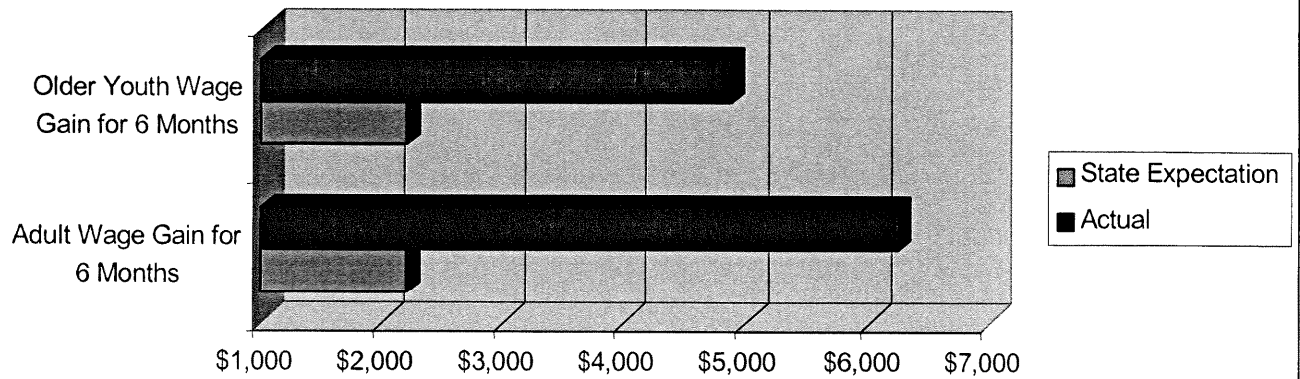
### **PERFORMANCE HIGHLIGHTS**

#### **Grant-Specific Performance:**

The following charts illustrate actual performance as compared to the State expectations for the 17 grant-required performance categories. Actual performance exceeded State expectations in every category.

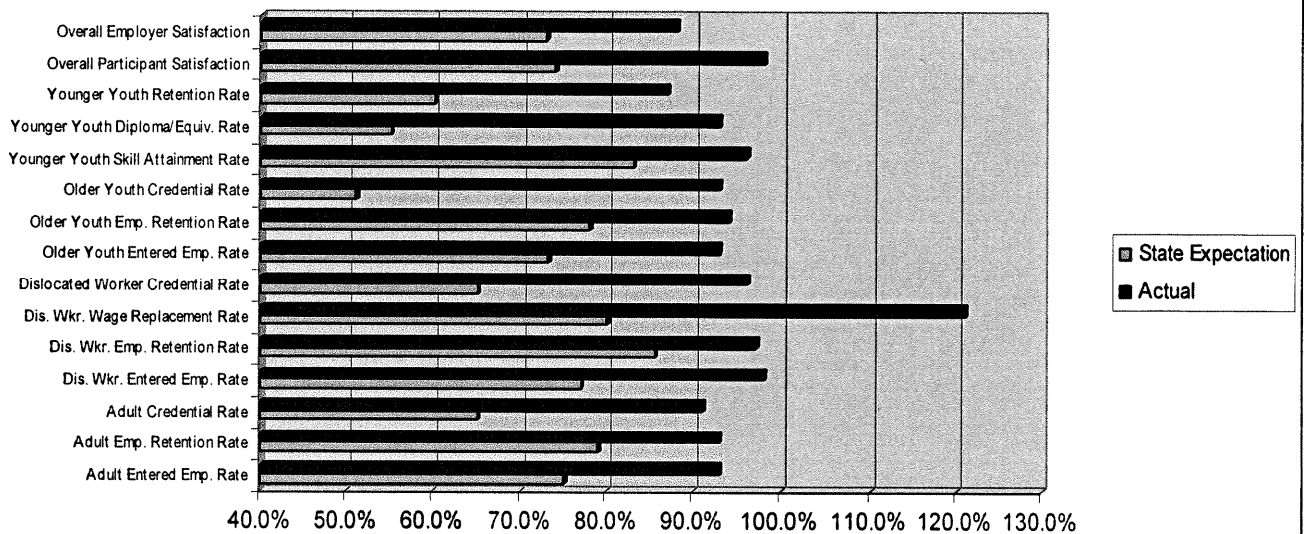
## Grant Performance - Wage Gain

7/1/04 - 6/30/05



## Grant Performance

7/1/04-6/30/05



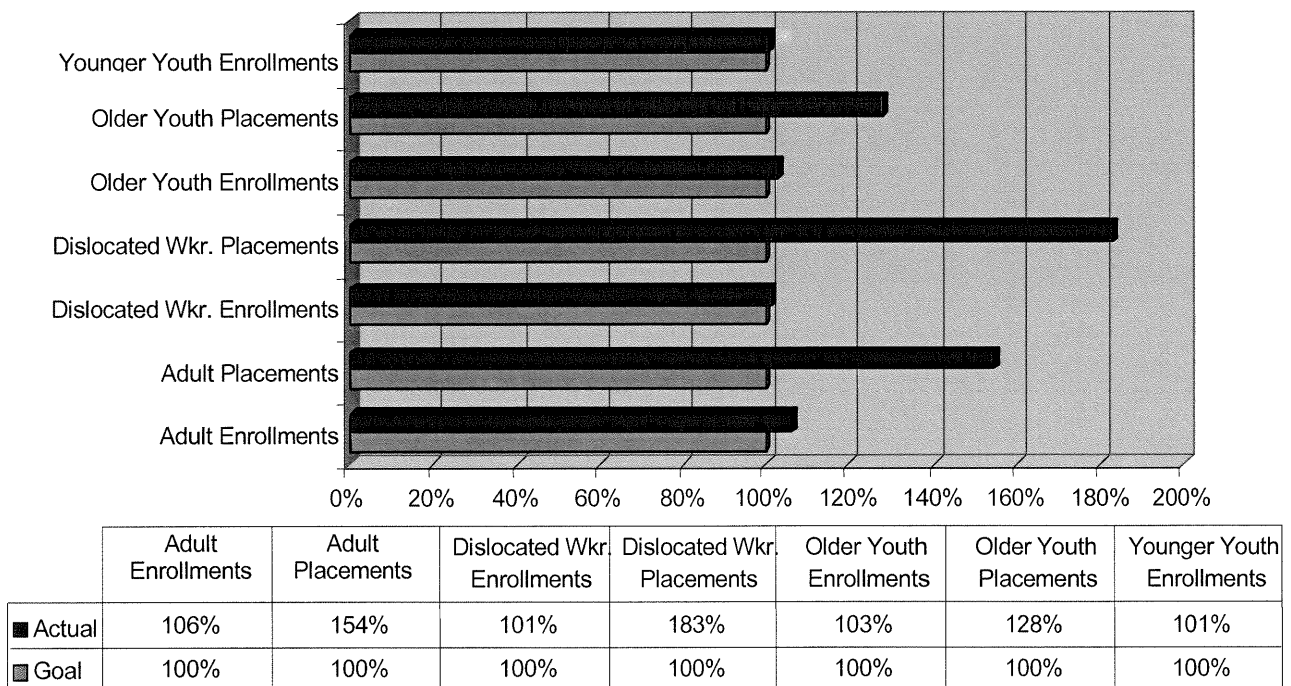
## System-wide Performance

The contracts with the Alliance's Service Providers stipulate internal system wide goals, which are illustrated in the charts.

In addition to the charts, the following measures were achieved:

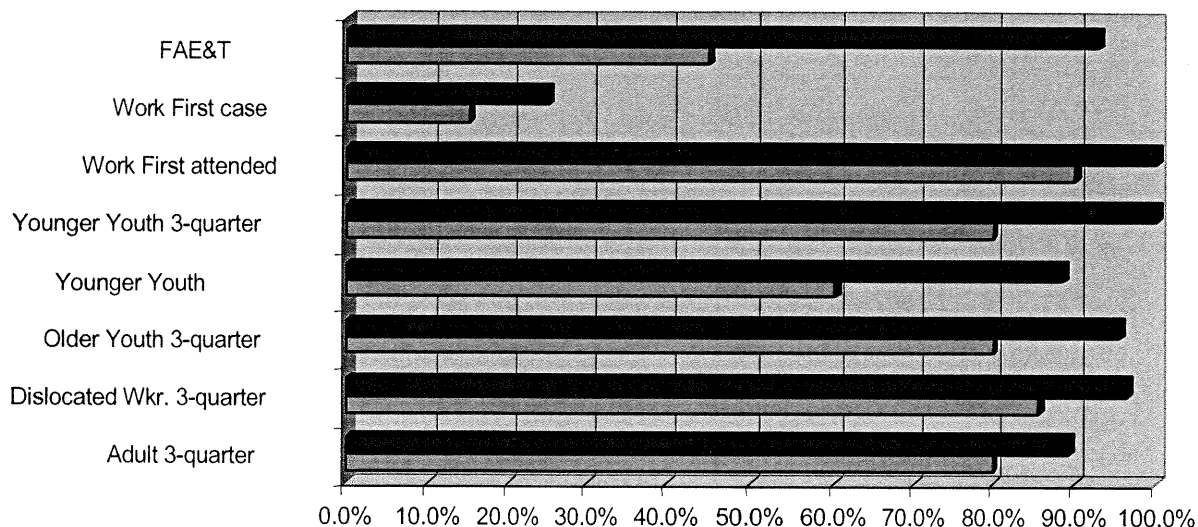
- The goal for overall placements to employment throughout all six counties was 2,806; Service Providers exceeded this goal by 359, or 12.8%.
- Service center activity totaled 63,335, exceeding our goal by 21,335, or 50.8%.

**Systemwide Performance Goals – Chart 1**  
**7/1/04 - 6/30/05**



## Systemwide Performance Goals - Chart 2

### 7/1/04 - 6/30/05



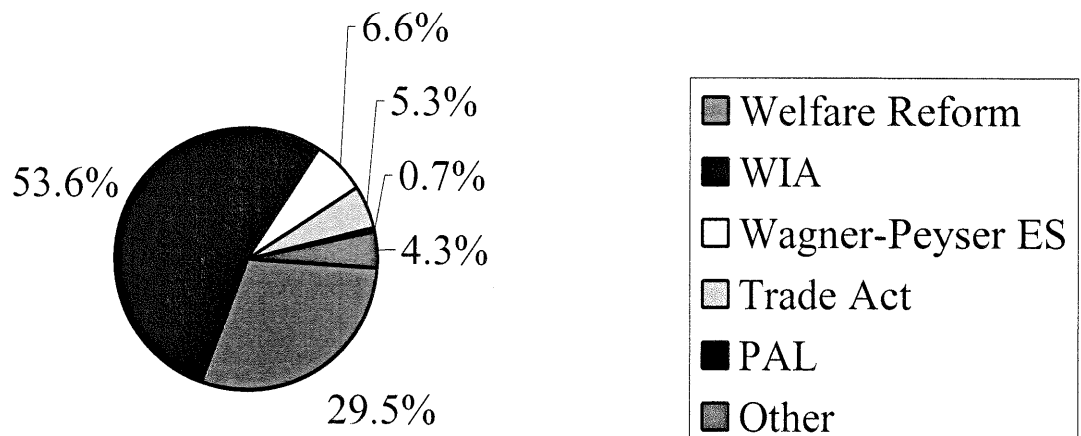
	Adult 3-quarter retention	Dislocated Wkr. 3-quarter retention	Older Youth 3-quarter retention	Younger Youth diploma/equiv.	Younger Youth 3-quarter	Work First attended activity	Work First case closure	FAE&T Placements
■ Actual	89.4%	96.5%	95.5%	88.6%	100.0%	100.0%	25.2%	92.9%
■ Goal	80.0%	85.5%	80.0%	60.0%	80.0%	90.0%	15.0%	45.0%

### **Financial Summary:**

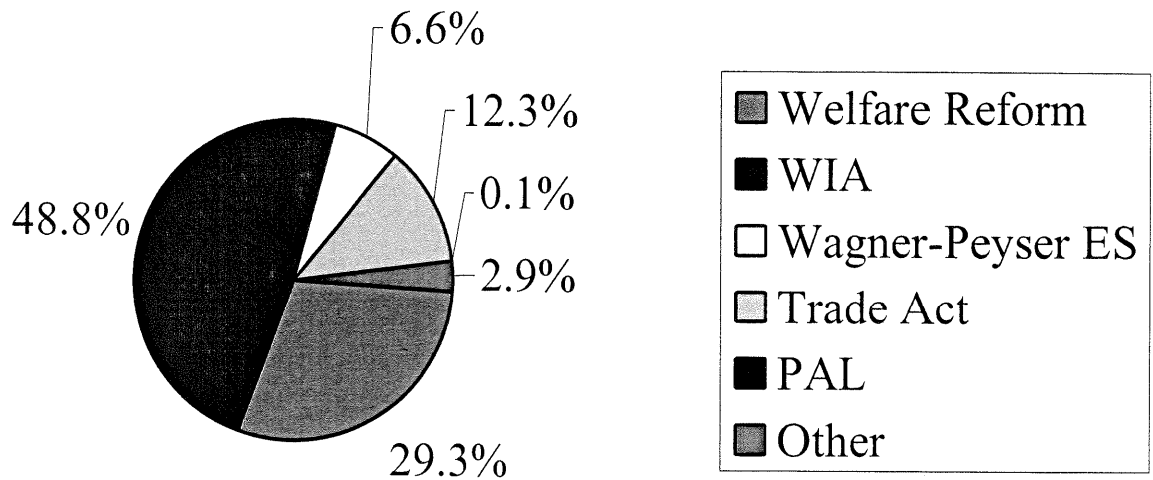
- Total revenues were \$568,350 lower than last year (11.1%). This change was the result of a number of factors:
  - Federal revenues are decided annually by the U.S. Congress; Michigan revenues by its Legislature.
  - The level of funding in each funding stream is determined initially by the federal allocation to the State of Michigan; then, a funding formula determines the allocation amount to each of the 25 Michigan Works Agencies throughout the state, based on a variety of economic and demographic factors.
  - Because the funding streams pay on a reimbursement basis, the Alliance's revenues equal its expenditures. In spite of some statewide budget cuts, the Alliance continued providing services throughout the six county region, and continued to surpass State of Michigan and Alliance expectations.

- The Alliance's total assets decreased by 16.4% and total liabilities decreased by 25.8%; this is within the normal fluctuations from year to year mostly due to the changes in the Due from State of Michigan and Deferred Revenue accounts which are discussed in the third and fourth bullet points of the Statement Analysis below.
- Total Net Assets decreased by 7.7%. However, the total Fund Balances increased by 9.7%. The adjustments for capital assets and deferred revenue caused the statement of net assets' total assets to decrease more than its total liabilities.
- The pie graphs on the following page illustrate the changes in the composition of funding between the 2003-04 fiscal year and the 2004-05 fiscal year.
  - Total funding decreased by 11.1%; Wagner-Peyser Employment Services and Welfare Reform remained consistent in terms of percentages of total funding.
  - WIA funding increased from 48.8% to 53.6% of total funding, as the Alliance reaped the rewards of maintaining carry-in funds from the 2003-04 fiscal year in the WIA funding sources.
  - Trade Act funding decreased from 12.3% to 5.3% of total funding, due to many Trade-eligible participants completing their training early in the current fiscal year, and fewer Trade-certified events occurring during the current fiscal year.

Composition of Funding 7/1/04 - 6/30/05



## Composition of Funding 7/1/03 - 6/30/04



### Statement format:

- The statements are in compliance with GASB 34 and the Michigan Uniform Budgeting and Accounting Act.
- The Alliance's federal and state funding sources mandate that capital assets be reported to the State as expenditures in the period of acquisition; see Capital Outlay in the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance. GASB 34 requires organizations to report depreciation expense in the Statement of Activities.
- The format, as described below, is recommended for entities such as the Alliance, since it is considered a special purpose government that engages only in a single type of activity (Workforce Development Activity).
  - The Governmental Funds Balance Sheet/Statement of Net Assets begins with the Modified Accrual Basis format, then introduces an adjustment for Capital Assets, net of accumulated depreciation, as well as one to remove deferred revenue, then shows the Statement of Net Assets.
  - The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities begins with revenues and expenditures using the Modified Accrual Basis, then introduces the adjustments to remove the Capital Outlay, include Depreciation Expense, and include Deferred Revenue, then shows the Statement of Activities in the final column.

- A Budgetary Comparison Schedule is in the section called Required Supplementary Information. This shows the original budget amounts for revenues and expenditures, the final budget, actual amounts for the year, and the variance with the final budget.

### **Statement Analysis:**

- 93.7% of the Alliance's revenues in the current year came in the form of federal grants passed through the State of Michigan; 5.2% were from state grants. Over 60% of the other revenues earned was considered program income & was required to be used for the specific purpose of furthering program objectives of the federal or state grants. The remainder of other revenues earned was preserved to strengthen the fund balances. This translated into the total fund balances increasing by \$11,497 for the year.
- The amount Due from the State of Michigan, \$409,648, is simply recognition of a point-in-time amount by which the accrued expenditures as of June 30, 2005 exceeded the actual cash received as of the same date. Due to the nature of the Due from State account, comparison with prior periods is not useful for analysis. The amount is derived solely from the timing difference between when the expenditure is accrued and when the funds are received. This amount is included in federal grant revenues of the respective funding sources.
- Deferred Revenue of \$51,767 is simply recognition of a point-in-time amount by which the cash received as of June 30, 2005 exceeded the accrued expenditures as of the same date. Due to the nature of the Deferred Revenue account, comparison with prior periods is not useful for analysis. The amount is derived solely from the timing difference between when the expenditure is accrued and when the funds are received. This amount is excluded from grant revenues of the respective funding sources.
- The difference between the original budget and final budget amounts were due to unanticipated changes in funding throughout the year. Causes of funding changes are discussed below.

### **Causes of funding changes:**

The Alliance, like all Michigan Works Agencies, conducts business in a dynamic funding environment, where numerous adjustments are made to allocation amounts throughout any given year.

- Local factors, such as trade-affected businesses closing, can initiate an increase in funding.
- Incentive monies for WIA and Welfare Reform are available and allocated based on system performance within each MWA.
- State or federal budget cuts can cause a decrease in funding.
- Occasionally, the State may rescind unspent funding from one or more Michigan Works! Agencies and reallocate it to other MWAs as need is demonstrated.

**MANAGEMENT'S DISCUSSION & ANALYSIS:**

	<u>2005</u>	<u>2004</u>
<b>ASSETS:</b>		
Current Assets:		
Cash and equivalents:		
Unrestricted - General Operating	\$ 8,548	\$ 43,796
Restricted - Funded Leave	60,115	53,373
Due from State of Michigan	409,648	524,400
Accounts Receivable	17,504	4,916
Prepaid Expenses	-	470
Noncurrent Assets:		
Capital Assets, net	241,437	254,741
Total Assets	<u>737,252</u>	<u>881,696</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	154,789	291,782
Accrued Payroll	14,046	46,143
Accrued Payroll Taxes and Related	39,139	4,375
Noncurrent Liabilities:		
Accrued Compensated Absences	105,987	80,841
Total Liabilities	<u>313,961</u>	<u>423,141</u>
<b>NET ASSETS:</b>		
Invested in Capital Assets	241,437	254,741
Unrestricted	181,854	203,814
Total Net Assets	<u>\$ 423,291</u>	<u>\$ 458,555</u>



# MANAGEMENT'S DISCUSSION & ANALYSIS:

	2005	% Increase/ - Decrease	2004
<b>REVENUES:</b>			
Federal Grants	\$ 4,276,637	-14.4%	\$ 4,997,514
State Grants	239,697	126.7%	105,748
Other Revenue and Interest	52,978	54.0%	34,400
Total Revenues	<u>4,569,312</u>	-11.1%	<u>5,137,662</u>
<b>EXPENDITURES:</b>			
Workforce Development Activity:			
Personal Services	830,579	15.4%	719,678
Supplies	77,748	-13.5%	89,898
Other Services and Charges	3,590,293	-13.8%	4,166,585
Depreciation	105,956	-6.1%	112,819
Total Expenditures	<u>4,604,576</u>	-9.5%	<u>5,088,980</u>
Increase in Net Assets	(35,264)	-172.4%	48,682
Net Assets - Beginning	<u>458,555</u>		<u>409,873</u>
Net Assets - Ending	<u>\$ 423,291</u>	-7.7%	<u>\$ 458,555</u>

# MANAGEMENT'S DISCUSSION & ANALYSIS:

	2005	% Increase/ - Decrease	2004
<b>REVENUES:</b>			
Federal Sources:			
Work First	\$ 551,911	-0.9%	\$ 556,896
Federal Welfare-to-Work	-	-100.0%	194,257
Food Assistance Employment & Training	124,196	12.3%	110,640
Reemployment Services	25,317	-6.6%	27,120
Reed Act - Work First	433,996	-38.5%	706,071
RSA - Michigan Regional Skills Alliance	6,032		-
Employment Services	277,190	-8.4%	302,723
Trade Act	242,910	160.4%	93,283
WIA National Emergency Grant	-	-100.0%	522,284
USDOL Work Incentive Grant (Navigator)	76,432		-
WIA Administration	227,019	-20.5%	285,399
WIA Adult	829,458	12.2%	739,271
WIA Dislocated Worker	615,421	9.1%	563,951
WIA DW Rapid Response JAC #1228	-	-100.0%	15,529
WIA DW Rapid Response JAC #1243	-	-100.0%	18,847
WIA DW Rapid Response JAC #1278	4,562		-
WIA Youth	732,633	-2.5%	751,043
WIA Statewide - Capacity Building	24,000	0.0%	24,000
Reed Act - Service Center Operations	99,811	187.0%	34,778
WIA Statewide - Incumbent Worker	4,000	-92.2%	51,422
WIA Statewide - Incentive	1,749		-
Total Federal Sources	4,276,637	-14.4%	4,997,514
State Sources:			
State Welfare-to-Work	-	-100.0%	100,646
GF/GP Work First	206,264		-
Food Assistance Employment & Training - Supportive Serv.	746		-
PAL	32,687	918.9%	3,208
State GF/GP One Stop Operations	-	-100.0%	1,894
Total State Sources	239,697	126.7%	105,748
Local Sources:			
Total Local Sources	52,978	54.0%	34,400
Total Revenues	4,569,312	-11.1%	5,137,662

# MANAGEMENT'S DISCUSSION & ANALYSIS:

	2005	% Increase/ - Decrease	2004
<b>EXPENDITURES:</b>			
LONG	\$ (2,085)	-119.2%	\$ 10,857
Work First	541,720	-3.1%	559,284
Federal Welfare-to-Work	-	-100.0%	139,896
State Welfare-to-Work	-	-100.0%	100,627
GF/GP Work First	201,576		-
Food Assistance Employment & Training	122,892	11.0%	110,691
Reemployment Services	25,317	-6.6%	27,120
Reed Act - Work First	460,701	-25.1%	615,469
RSA - Michigan Regional Skills Alliance	10,581		-
Build UP! Tool Kits	1,600		-
Employment Services	271,084	-10.6%	303,370
Trade Act	242,952	160.4%	93,292
WIA National Emergency Grant	-	-100.0%	522,342
USDOL Work Incentive Grant (Navigator)	76,432		-
PAL	32,687	918.9%	3,208
WIA Administration	223,794	-22.1%	287,203
WIA Adult	828,917	12.0%	740,276
WIA Dislocated Worker	608,278	7.5%	565,618
WIA DW Rapid Response JAC #1228	-	-100.0%	15,529
WIA DW Rapid Response JAC #1243	-	-100.0%	18,847
WIA DW Rapid Response JAC #1278	4,562		-
WIA Youth	716,998	-4.5%	750,922
WIA Statewide - Capacity Building	24,000	0.0%	24,000
State GF/GP One Stop Operations	-	-100.0%	1,894
Reed Act - Service Center Operations	99,701	190.9%	34,274
WIA Statewide - Incumbent Worker	3,438	-93.3%	51,442
Worker Incentive Grant	45		-
WIA Statewide - Incentive	1,749		-
UGLETI Grant	1,681		-
Depreciation	105,956	-6.1%	112,819
Total Expenditures	4,604,576	-9.5%	5,088,980
EXCESS OF REVENUES (EXPENDITURES)	(35,264)	-172.4%	48,682
<b>NET ASSETS:</b>			
Beginning of Year	458,555		110,337
End of Year	\$ 423,291		\$ 159,019

**MANAGEMENT'S DISCUSSION AND ANALYSIS:**

	<u>2005</u>	<u>% Increase / - Decrease</u>	<u>2004</u>
<b>EXPENDITURES:</b>			
General Administration	\$ 529,048	-14.1%	\$ 616,035
Program Services	3,969,572	-9.0%	4,360,126
Depreciation	<u>105,956</u>	-6.1%	<u>112,819</u>
Total Expenditures	<u>\$ 4,604,576</u>	-9.5%	<u>\$ 5,088,980</u>

**SIX COUNTY EMPLOYMENT ALLIANCE**  
**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	Michigan Works Agency Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
<b>ASSETS:</b>			
Current Assets:			
Cash and equivalents:			
Unrestricted - general operating	\$ 8,548		\$ 8,548
Restricted - funded leave	60,115		60,115
Due from State of Michigan	409,648		409,648
Accounts Receivable	17,504		17,504
Noncurrent Assets:			
Capital Assets, net (Note D)	-	\$ 241,437	241,437
Total Assets	<u>495,815</u>	<u>241,437</u>	<u>737,252</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	154,789		154,789
Accrued Payroll	14,046		14,046
Accrued Payroll Taxes and Related	39,139		39,139
Deferred Revenue	51,767	(51,767)	-
Noncurrent Liabilities:			
Accrued Compensated Absences	105,987		105,987
Total Liabilities	<u>365,728</u>	<u>(51,767)</u>	<u>313,961</u>
<b>FUND BALANCE/NET ASSETS</b>			
Unreserved	130,087		
Total Fund Balances	<u>130,087</u>		
Total Liabilities and Fund Balance	<u>\$ 495,815</u>		
Net Assets			
Invested in Capital Assets		241,437	241,437
Unrestricted		51,767	181,854
Total Net Assets		<u>\$ 293,204</u>	<u>\$ 423,291</u>
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets:			
Capital assets used in governmental activities are not financial sources and therefore are not reported in the funds.		\$ 241,437	
Deferred revenue reported as a liability on the balance sheet of the fund financial statement has been recognized as revenue in the Statement of Activities and has been removed from the Statement of Net Assets.		<u>51,767</u>	
Total adjustments		<u>\$ 293,204</u>	

**SIX COUNTY EMPLOYMENT ALLIANCE**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE/STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2005**

	Michigan Works Agency Fund Modified Accrual Basis	Adjustments	Statement of Activities
REVENUES:			
Federal Grants	\$ 4,313,315	\$ (36,678)	\$ 4,276,637
State Grants	239,676	21	239,697
Charges for Services	24,804		24,804
Interest	918		918
Other Revenue	24,056	3,200	27,256
Total Revenues	<u>4,602,769</u>	<u>(33,457)</u>	<u>4,569,312</u>
EXPENDITURES:			
Workforce Development Activity:			
Personal Services	830,579		830,579
Supplies	77,748		77,748
Other Services and Charges	3,590,293		3,590,293
Depreciation		105,956	105,956
Capital Outlay (Note A.5)	92,652	(92,652)	-
Total Expenditures	<u>4,591,272</u>	<u>13,304</u>	<u>4,604,576</u>
Net Change in Fund Balance	11,497	(46,761)	(35,264)
Fund Balance/Net Assets - Beginning	118,590		458,555
Fund Balance/Net Assets - Ending	<u>\$ 130,087</u>	<u>\$ (46,761)</u>	<u>\$ 423,291</u>

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds to the  
Statement of Activities:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets are capitalized and the cost of those assets are  
allocated over their estimated useful lives and reported as  
depreciation expense. This is the amount by which  
depreciation expense (\$105,956) exceeded capital outlays  
(\$92,652).

\$ (13,304)

This amount reflects the deferred revenue reported in the  
fund financial statements that are recognized as revenue in  
the Statement of Activities.

(33,457)

Total adjustments

\$ (46,761)

# SIX COUNTY EMPLOYMENT ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Six County Employment Alliance was organized by the counties of Alger, Delta, Dickinson, Marquette, Menominee, and Schoolcraft in 1974 to operate Comprehensive Employment and Training Act programs. It was organized under Michigan Public Act 8 with Delta County as the lead county of the six counties.

In 1983, the Six County Employment Alliance was organized under Public Act 7 to operate employment and training programs. The organization operates under a Board comprised of two local elected officials from each of the six member counties. A Director is hired by the Six County Employment Alliance Board to manage operations. The Alliance's basic financial statements include all accounts and programs for which the Board exercises oversight responsibility.

The accompanying financial statements present the activities of Six County Employment Alliance. The accounting policies of the Alliance conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the Financial Accounting Standards Board.

- (1) Fund Accounting - The accounts of the Alliance are organized on the basis of funding streams. The operations of each funding stream are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funding streams based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funding streams are grouped into one fund and one activity, according to the Michigan Uniform Chart of Accounts under the Michigan Uniform Budgeting and Accounting Act (MUBAA) as follows:

#### GOVERNMENTAL FUND TYPE:

Michigan Works Agency Fund – The Special Revenue Fund type designated as the Michigan Works Agency Fund is the general operating fund of the Alliance. It is used to account for all program financial resources, each of which is recorded in separate revenue and expenditure categories within the fund. This fund name was recently designated by the Michigan Department of Treasury to identify the unique fund type under MUBAA of the Michigan Works Agencies.

# SIX COUNTY EMPLOYMENT ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ACTIVITY:

Workforce Development Activity – The Workforce Development Activity classification was designated by the Michigan Department of Treasury as well to identify the unique activity type under MUBAA of the Michigan Works Agencies.

- (2) Basis of Accounting - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Alliance maintains its accounting records on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include federal program sources. Other revenue sources are recorded as revenues when received because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

- (3) Compensated Absences - Accumulated vacation and sick pay amounts, which are expected to be liquidated with expendable available resources, are recorded in the operating fund. The Alliance's restricted cash and equivalents of \$60,115 at June 30, 2005, is for the payment of accrued sick and annual vacation time.

Annual leave can be carried over from year to year. Cash payoff of annual leave is not available, except upon termination of employment. Employees accrue sick leave at a rate of thirteen days per year. Sick leave can be carried over from year to year. Cash payoff of 80 percent of accrued sick leave is available once annually for all hours accrued over 80 hours. Upon termination of employment, 80 percent of accrued sick leave is paid out.

- (4) Capital Assets - Capital assets, which include equipment and vehicles, are reported in the statement of net assets. Capital assets are defined by the Alliance as assets with an initial individual cost of at least \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The Alliance's federal and state funding sources mandate that capital assets are reported as expenditures in the period of acquisition; see Capital Outlay in the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance. To be in compliance with GASB 34, the Alliance is required to report depreciation expense in the Statement of Activities.



# SIX COUNTY EMPLOYMENT ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (5) Use of Estimates - The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates; however, it is the opinion of management that any fluctuations from estimates would be insignificant and would not materially affect the results of operations or the financial statements taken as a whole.

### NOTE B - CASH AND EQUIVALENTS

The composition of cash and equivalents as reported in the Statement of Net Assets is presented below:

Financial statement presentation:

Cash and equivalents:

Unrestricted - General Operating	\$ 8,548
Restricted - Funded Leave	60,115
TOTAL	<u>\$ 68,663</u>

Composition of balances:

Imprest Cash	\$ 235
Deposits:	
Checking Accounts	8,313
Savings Accounts	60,115
TOTAL	<u>\$ 68,663</u>

Cash and cash equivalents consist solely of checking and saving account deposits and petty cash.

Michigan statutes authorize the Alliance to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

# SIX COUNTY EMPLOYMENT ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### NOTE B - CASH AND EQUIVALENTS (Continued)

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

*Interest Rate Risk.* The Alliance carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

*Credit Risk.* State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. As of June 30, 2005, the Alliance did not hold any commercial paper.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure the Alliance's deposits may not be returned. At June 30, 2005, the Alliance held \$247,776 in checking and savings accounts. Of this amount \$147,776 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

*Concentration of Credit Risk.* The Alliance has no significant concentration of credit risk due to the fact that its deposits are with area banks.

*Foreign Currency Risk.* The Alliance has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the Alliance are in accordance with statutory authority.

# SIX COUNTY EMPLOYMENT ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### NOTE C - DUE FROM STATE OF MICHIGAN

The following is a summary of amounts due from the State of Michigan as of June 30, 2005:

Work First	\$	119,008
Work First TtW		3,326
Work First Emp-rel SS		826
F&E&T		8,734
F&E&T - SS		100
Wagner-Peyser Emp Services		15,189
Trade Act		8,101
Regional Skills Alliance		1,552
WIA Admin		4,433
WIA Adult		69,504
WIA Dislocated Worker		65,869
WIA Dislocated Worker RR		562
WIA Youth		110,695
WIA Incentive		1,749
		<hr/>
TOTAL	\$	<u>409,648</u>

### NOTE D - CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2005 was as follows:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Capital assets (equipment & vehicles)	\$ 810,606	\$ 92,652	\$ 25,500	\$ 877,758
Total accumulated depreciation	555,865	105,956	25,500	636,321
Total capital assets depreciated, net	<u>\$ 254,741</u>	<u>\$ (13,304)</u>	<u>\$ -</u>	<u>\$ 241,437</u>

Equipment and vehicles reported are depreciated using the straight-line method over a useful life of 5 years.

# SIX COUNTY EMPLOYMENT ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### NOTE E – DEFERRED REVENUE - STATE

The following is a summary of Deferred Revenue - State of Michigan as of June 30, 2005:

GF/GP State	\$	21
Work First - Reed Act		47,810
Build UP! Local Grant		3,200
Service Center Op. Grant - Reed		157
WIA Statewide Incumbent Wkr		579
		<hr/>
TOTAL	\$	<u>51,767</u>

### NOTE F - PENSION PLAN

Substantially all Alliance employees participate in a Simplified Employee Pension Plan administered by the Vanguard Group. The plan is a discretionary contribution pension plan with the contributions being made by the Alliance at a rate of 12.5% of the covered employee's wages during fiscal year 2005. Contributions vest immediately and covered employees are eligible upon commencement of employment. The Alliance contributed \$72,806 to the plan for the year ended June 30, 2005. Employees do not contribute to this pension plan. The Alliance is not required to, and does not, contribute 6.2% of wages for the social security portion of FICA.

### NOTE G – DEFERRED COMPENSATION PLAN

The Alliance offers all regular Alliance employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (b) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Alliance's financial statements.

# SIX COUNTY EMPLOYMENT ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### NOTE H - LEASES

The Alliance has various lease arrangements for office space and equipment. Leases for office space are cancelable at the Alliance's option in the event of funding declines. All equipment leases are noncancelable with terms extending out to July 2008. Future minimum rental payments for the equipment leases are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2006	5,836
2007	4,780
2008	2,440
2009	289
	<u>\$ 13,345</u>

Total office and equipment rental expenditures for the year ending June 30, 2005 were \$282,607. Total office and equipment rental expenditures expected for 2006 are \$284,049

### NOTE I – GASB 34-COMPLIANT

The Alliance is required to prepare its annual financial statements in the format prescribed in GASB 34. This format is designed to help the users of the statements make better comparisons between governments and has a number of other benefits as well.

### NOTE J - GRANT PROGRAM YEARS

The Alliance administers grants for programs that have year-ends that differ from the Alliance's fiscal year end of June 30. The basic financial statements contain those revenues and expenditures that were earned and incurred during the Alliance's fiscal year ending June 30, 2005. The balance of these program revenues and expenditures are recorded during the period in which they occur.

# **SIX COUNTY EMPLOYMENT ALLIANCE**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

### **NOTE K - CONTINGENT LIABILITIES**

The Alliance receives significant financial assistance from Federal agencies in the form of grants. The disbursement of funds from the various programs generally requires compliance with terms and conditions specified in the applicable grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the Alliance. It is the opinion of the administration that any such disallowed claims will not have a material effect on any of the financial statements or individual fund types included in the overall financial position of the Alliance at June 30, 2005.

### **NOTE L – MUBAA COMPLIANT**

The Michigan Department of Treasury has required that the Michigan Works! Agencies are in compliance with the requirements of the Michigan Uniform Budgeting and Accounting Act. These statements, as well as the Alliance's chart of accounts, are in full compliance with the requirements set forth by MUBAA. The Alliance has prepared its annual financial statements in a format that is compliant with MUBAA. This includes, among other requirements, conforming to the Michigan Uniform Chart of Accounts and adopting a formal budget through a board resolution.

### **NOTE M – USE OF GRANT FUNDS**

Due to the nature of the grant funds received by the Alliance, services can only be provided to the level of federal and/or state funding. The counties have no requirement to fund services beyond that level. During the current audit period, the six counties that comprise the Alliance did not contribute financially to the Alliance.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SIX COUNTY EMPLOYMENT ALLIANCE  
BUDGETARY COMPARISON SCHEDULE  
MICHIGAN WORKS AGENCY FUND  
For the Year Ended June 30, 2005**

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES:</b>				
Federal Grants	\$ 3,974,574	\$ 4,596,073	\$ 4,313,315	\$ (282,758)
State Grants	439,997	239,052	239,676	624
Charges for Services	12,600	25,000	24,804	(196)
Interest	2,000	1,300	918	(382)
Other Revenue	5,000	25,000	24,056	(944)
Total Revenues	<u>4,434,171</u>	<u>4,886,425</u>	<u>4,602,769</u>	<u>(283,656)</u>
<b>EXPENDITURES:</b>				
Workforce Development Activity:				
Personal Services	781,276	850,000	830,579	19,421
Supplies	111,000	100,000	77,748	22,252
Other Services and Charges	3,535,546	3,780,000	3,590,293	189,707
Capital Outlay	-	150,000	92,652	57,348
Total Expenditures	<u>4,427,822</u>	<u>4,880,000</u>	<u>4,591,272</u>	<u>288,728</u>
Increase in Net Assets	6,349	6,425	11,497	5,072
Fund Balance - Beginning	118,590	118,590	118,590	-
Fund Balance - Ending	<u>\$ 124,939</u>	<u>\$ 125,015</u>	<u>\$ 130,087</u>	<u>\$ 5,072</u>



## **ADDITIONAL INFORMATION**



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Six County Employment Alliance  
Escanaba, Michigan

We have audited the financial statements of the governmental activities and major fund of Six County Employment Alliance as of and for the year ended June 30, 2005, which collectively comprise Six County Employment Alliance's basic financial statements and have issued our report thereon dated October 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Six County Employment Alliance's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Six County Employment Alliance's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Six County Employment Alliance  
Escanaba, Michigan  
Page 2

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

October 28, 2005



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Six County Employment Alliance  
Escanaba, Michigan

Compliance

We have audited the compliance of Six County Employment Alliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Six County Employment Alliance's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Six County Employment Alliance's management. Our responsibility is to express an opinion on Six County Employment Alliance's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Six County Employment Alliance's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Six County Employment Alliance's compliance with those requirements.

In our opinion, Six County Employment Alliance complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Six County Employment Alliance is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Six County Employment Alliance's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.L.C.*  
Certified Public Accountants

October 28, 2005

**SIX COUNTY EMPLOYMENT ALLIANCE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2005**

Federal grantor/pass-through grantor/ Program title	Federal CFDA Number	Pass- through Grantor's Number	Award Amount	Federal Expenditures
<u>U.S. Department of Labor:</u>				
Passed through Michigan Department of Labor & Economic Growth:				
Workforce Investment Act (WIA) Cluster:				
2004 WIA Adult	17.258	MWA:06	968,208	\$ 926,454
2004 WIA Dislocated Worker	17.260	MWA:06	777,423	694,251
2004 WIA Youth	17.259	MWA:06	826,313	819,028
2004 WIA Dis Wkr Rapid Response #1278	17.260	MWA:06	11,000	<u>4,562</u>
Total WIA Cluster				2,444,295
Passed through Michigan Department of Labor & Economic Growth:				
Employment Services Cluster:				
2004 Wagner-Peyser Employment Services	17.207	MWA:06	282,899	277,190
2004 Wagner-Peyser Reemployment Services	17.207	MWA:06	25,317	<u>25,317</u>
Total Employment Services Cluster				302,507
2004 Reed Act Work First	17.XXX	MWA:06	868,996	421,220
2005 Reed Act Work First	17.XXX	MWA:06	235,608	50,190
2004 Reed Act Service Center Operations	17.XXX	MWA:06	74,825	49,811
2005 Reed Act Service Center Operations	17.XXX	MWA:06	74,724	49,843
2004 Trade Act	17.245	MWA:06	244,092	150,809
2005 Trade Act	17.245	MWA:06	139,048	92,101
Granted directly from US Department of Labor				
2004 Navigator Grant	17.266	MWA:06	192,973	<u>76,432</u>
Total U.S. Department of Labor				3,637,208
<u>U.S. Department of Health and Human Services:</u>				
Passed through Michigan Department of Labor & Economic Growth:				
Temporary Assistance for Needy Families:				
2005 Work First	93.558	MWA:06	854,136	<u>551,911</u>
Total U.S. Department of Health and Human Services				551,911
<u>U.S. Department of Agriculture:</u>				
Passed through Michigan Department of Labor & Economic Growth:				
Food Stamp Cluster:				
State Administrative Matching Grants for Food Stamps:				
2004 Food Assistance Employment & Training	10.561	MWA:06	133,280	45,461
2005 Food Assistance Employment & Training	10.561	MWA:06	109,018	<u>78,735</u>
Total U.S. Department of Agriculture				<u>124,196</u>
Total Federal Awards				<u>\$ 4,313,315</u>

**SIX COUNTY EMPLOYMENT ALLIANCE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2005**

**NOTE A – OVERSIGHT AGENCY**

The U.S. Department of Labor is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the Alliance's federal financial assistance.

**NOTE B – BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the grant activity of Six County Employment Alliance and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.

**SIX COUNTY EMPLOYMENT ALLIANCE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:

Unqualified

- Material weakness(es) identified: \_\_\_\_\_ Yes    X    No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes    X    None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes    X    No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: \_\_\_\_\_ Yes    X    No
- Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes    X    None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?

\_\_\_\_\_ Yes    X    No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
17.258	WIA Adult
17.260	WIA Dislocated Worker & Rapid Response Grant
17.259	WIA Youth
17.207	Wagner-Peyser Employment Services and Reemployment Services
Dollar threshold used to distinguish between type A and type B programs:	<u>\$300,000</u>

Auditee qualified as low-risk auditee?

\_\_\_\_\_ X    Yes    \_\_\_\_\_ No

**Section II - Financial Statement Findings**

No matters were reported

**Section III - Federal Award Findings and Questioned Costs**

No matters were reported



**SIX COUNTY EMPLOYMENT ALLIANCE  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005**

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD  
PROGRAMS AUDIT**

None



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT TO MANAGEMENT**

Board of Directors  
Six County Employment Alliance  
Escanaba, MI 49829

We have audited the financial statements of Six County Employment Alliance for the year ended June 30, 2005 and have issued our reports thereon dated October 28, 2005. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning and performing our audit, we considered Six County Employment Alliance's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Six County Employment Alliance's financial statements are free of material misstatement, we performed tests of its' compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Six County Employment Alliance's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its' major federal programs for the purpose of expressing an opinion on Six County Employment Alliance's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Six County Employment Alliance's compliance with those requirements.

Board of Directors  
Six County Employment Alliance

Significant Accounting Policies

Management has the responsibility for the selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by Six County Employment Alliance are described in Note A of the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the fiscal year. We noted no transactions entered into by Six County Employment Alliance during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimate affecting the financial statements was useful lives on fixed assets. This estimate is based on management's past experience with useful lives of similar assets.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Six County Employment Alliance or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Board of Directors  
Six County Employment Alliance

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Six County Employment Alliance auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of Six County Employment Alliance for the year ended June 30, 2005, we considered Six County Employment Alliance's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of no matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated October 28, 2005, on the financial statements of Six County Employment Alliance

This information is intended solely for the use by the board of directors, management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*  
Anderson, Tackman & Company, PLC  
Certified Public Accountants

October 28, 2005